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SECURITY INFORMATION

12 May 1952

MEMORANDUM FOR: Director of Central Intelligence  
THROUGH: Deputy Director for Intelligence  
SUBJECT: Comments on Fourth Progress Report on NSC 104/2

I. Problem

To evaluate the statements in subject report that criticize intelligence support for the Economic Defense programs and to provide the essential elements for a response thereto by the DCI.

II. Discussion

A. "General inadequacy of intelligence research . . . particularly basic research or factfinding." (page 10). This shotgun blast seems pretty ineffective against the quantity and quality of NIE's, EIC studies (Tab A), and ad hoc intelligence support provided to the Economic Defense Advisory Committee (EDAC) by CIA/RR (Tab B).

B. "Scarcity of trained personnel" (page 11). CIA's recruitment and training program has in the past year and a quarter increased its staff of economic analysts of generally superior competence from 121 to 287. All of their work contributes directly or indirectly to economic defense intelligence.

C. "Ineffective organization of personnel" (page 11). CIA/RR concentrates its intelligence production on the Soviet Bloc economy leaving by mutual consent the rest of the world to State and other agencies. The RR organization is functional, by industry and commodity, but it also maintains a division of 44 persons exclusively charged with current support of economic defense activities (Tab C).

D. "Inadequate coordination of agencies" (page 11). Interagency coordination on a long-range basis is achieved through OME and the Economic Intelligence Committee. Recognizing the need for day-to-day coordination of economic defense intelligence, CIA on 7 March informally concurred in proposal to create a special Intelligence Working Group under EICAC and agreed to chair and provide administrative and secretarial support for it; yet seven weeks elapsed before Director, NSA, formally proposed this long overdue measure.

E. "Low priorities accorded economic defense assignments by general economic research staffs" (page 11). Priorities are a delicate matter: if ephemeral spot requirements are constantly accorded overriding priorities, basic research programs which can and are providing a bank of sound intelligence will never be accomplished. Inasmuch as 11 percent of RR's analysts are working full-time on the foreign trade program of the Soviet Bloc which amounts to less than 2 percent of its gross national product, it would seem difficult to criticize the priority afforded Economic Defense Intelligence by CIA as being too low. (Tab C).

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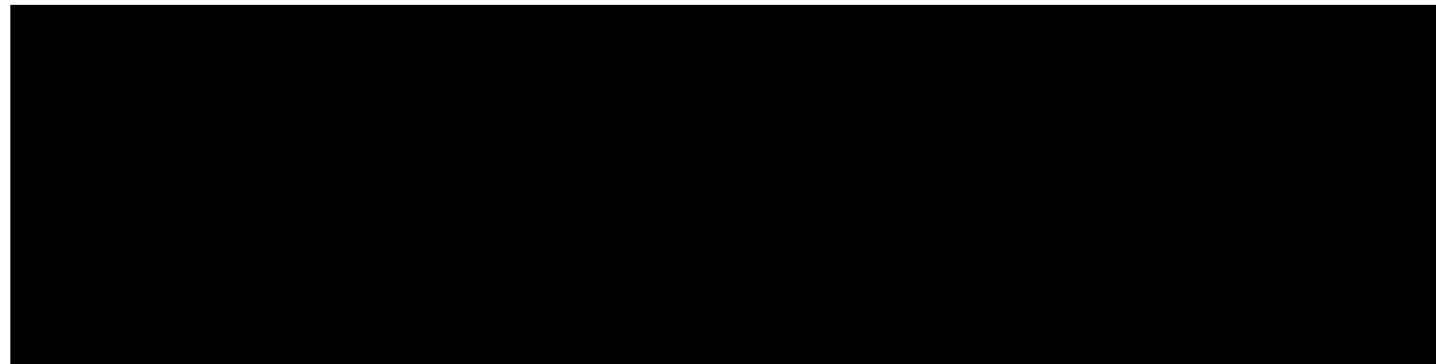
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F. Particularly "glaring deficiencies" in fields of shipping and finance (pp 18, 19, 21). Shipping has been covered in great detail by CIA and ONI (Tab D), [REDACTED] Finance presents a particularly difficult problem but is being pursued vigorously using all possible sources (Tab E).

G. "Comprehensive re-evaluation of Soviet Bloc vulnerabilities is overdue" (page 22). This is a continuing process to which the basic resources of the intelligence community are continuously directed. A great wealth of material has been produced and is now in production. Economic Defense aspects of Soviet vulnerabilities are a relative drop in the bucket quantitatively and qualitatively. For example, no additional effort is required to show that oil drilling rigs and ball bearings are critical to the Bloc and yet the Administration has failed to exercise its power to interfere with certain known shipments of these from Western Europe to the Bloc.

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### III. Conclusion

The intelligence portions of the report are in large part invalid and insofar as implicitly directed at CIA are generally inapplicable, intemperate and misconceived. Repetition of these in the widely circulated Current Economic Developments (28 April 1952, page 6) was a disservice to the intelligence community. In relation to the needs of other important consumers of intelligence, the Economic Defense program has received at least its proportionate share of support. The major deficiency is not so much the production of basic intelligence as the timely receipt, evaluation and analysis of intelligence to meet the spot requirements of the Economic Defense program on an ad hoc basis. Recent steps to establish a continuous intelligence working group to support EDAC should largely cure this.

ROBERT AMORY, JR.  
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